

PRACTICAL MATTERS

Avoiding Common Pitfalls in Succession Planning

07.13.15 by Lillian J. LeBlanc, Jeffrey Zegas

To avoid common succession planning pitfalls, experts advise boards to begin with four steps.

The health care industry faces a combination of challenges that will affect every hospital and health system. External influences, such as the uncertainty and complexity surrounding the Affordable Care Act, are well-known: The dawn of a new era of regulation requires fundamental changes in service delivery, while declining margins continue to pressure operations.

An equally important peril lurks within the industry's demographic makeup. The population is aging, and this is especially evident within the ranks of health care leadership. Even though the health care CEO turnover rate leveled off in 2014, according to a study by the American College of Healthcare Executives, it still continues to be high. What's more, it is likely to escalate as baby boomers retire.

"The findings also serve as a reminder for health care organizations to continue to ensure they have appropriate strategies in place — including robust succession planning — to successfully manage senior leadership changes," said Deborah J. Bowen, ACE's president and CEO, in a statement. The inevitable transition of these leaders has potential to cause significant organizational disruption.

Trustees must be cognizant of the possible problems related to leadership transitions, particularly unexpected or abrupt changes. Leadership vacuums create uncertainty and loss of organizational momentum. To guard against pitfalls, board members must ensure that their organizations plan for leadership succession.

Few Organizations Prepared

When future leadership is uncertain, hospital and system executives, physicians and staff may experience one of these difficult situations:

- Physicians, concerned about future organizational direction and the long-term effect on revenue, may seek to affiliate with competitors that hold a promise of greater stability.
- Staff members become uneasy in the absence of definitive answers about future leadership. This could result in migration to new jobs in other organizations.
- Internal candidates for the CEO position (or those who believe they are viable candidates) may begin jockeying for position, eroding teamwork and unintentionally creating a divisive atmosphere.
- Strategic planning and the development of new services may falter.

Despite high executive turnover and the negative effects of leadership disruption, a 2011 ACE survey found that only 7 percent of all health care organizations were well-positioned for the sudden departure of a key executive. Amid all the priorities on a board meeting agenda, succession planning can be seen as something to tackle when other issues are resolved and initiatives have been completed. But because of their role in strategic planning, trustees have a responsibility to initiate and participate in the succession planning process for the health of their organizations.

Some progressive health care organizations have embraced succession planning to ensure continuity of leadership. Traditionally, succession planning efforts combine talent assessment, calibration (in which an individual employee's performance is compared with that of his or her peers) and development to create a pipeline of leaders for key positions. This form of succession planning has long been prevalent outside the health care industry. General Electric is an acknowledged leader in succession planning, with a highly developed model made famous through its legendary CEO, Jack Welch.

How to Get Started

These four steps can help boards to develop a succession plan and get the most value from the process.

1. Address organizational culture. If, for whatever reason, your hospital or system's culture is dysfunctional, a succession planning process might temporarily plug some holes, but it won't yield desired results over the long term. Evaluate your organization's culture and take action to create an environment of understanding and respect. A culture of trust is essential for successful succession planning and for the organization's viability.

2. Set and maintain momentum. There are always pressing concerns that get in the way of organized, consistent succession planning. Set and stick to an achievable schedule for the first succession planning process. Don't expect to accomplish the entire process immediately; be realistic in setting the schedule and in establishing milestones. Planning a schedule that aligns with your organization's pace will help to create and maintain momentum.

3. Aim for consistent assessment. Use a standard framework for evaluating individual performance and growth potential, such as a growth potential nine-box grid [above]. But don't let the matrix stand on its own. Define each evaluation point, and use examples. It is important to avoid subjective bias as much as possible. Because social relationships always color interpretations, give people the opportunity to recuse themselves from an evaluation if they think they can't be unbiased. This is especially true when assessing an individual's potential.

4. Make succession planning a process, not a project. Succession planning takes resources and time. After all the effort, it is normal for trustees to say, "Check that one off the list," and turn their attention elsewhere. But the plan needs to be reviewed on a regular basis and, especially, when there is turnover or promotion of key leaders. Revisiting the plan allows a fresh look in the context of updated organizational experience and marketplace changes.

Safeguard Your Culture

Given the increasingly complex and competitive health care universe, succession planning is an imperative in strategic and workforce planning. Trustees should lead their organization in creating a plan that ensures leadership continuity and preserves organizational culture.

Lillian LeBlanc, M.B.A., SPHR, PCC (Lleblanc3@gmail.com) is a health care human resources executive and certified professional leadership coach, Tampa Bay, Fla. **Jeffrey Zegas** (jeffzegas@zurickdavis.com) is CEO of health care executive search firm ZurickDavis, Woburn, Mass.

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